

**DVBE Incentive Information
For Construction Contracts
DEPARTMENT OF GENERAL SERVICES**

The Department of General Services (DGS) established a Disabled Veterans Business Enterprise (DVBE) Incentive pursuant to revisions of the Military and Veterans Code § Sections 999.5(a) and (d), California Code of Regulations §1896.98 et seq. and Government Codes §14600, §14615 & §14838(F).

Disabled Veterans Business Enterprise has two inter-related aspects to the program:

1. The mandatory DVBE Participation Program of achieving participation goals (normally 3%) for disabled veterans business enterprises by either attaining the minimum goal (Form 004314 DVBE Participation Summary) or by showing a good faith effort (GFE)(Form 004315 Good Faith Effort).
 2. The DVBE Incentive Program gives a contractor an opportunity to improve their bid status based on the efforts attained from the DVBE Participation Program. The DVBE incentive percentage is from 1 percent to 5 percent with a maximum of \$500,000.
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The incentive law intends DVBE participation; however, if the minimum participation goal is not reached then the required GFE FORM will be required. The contractor must make and document efforts to attain DVBE participation to be responsive.

The DVBE incentive is only applied during the bid evaluation process and only to responsive / responsible bidders. For award based on low price, the incentive is applied by reducing the bid price by the amount of incentive as computed from the lowest responsive and responsible bid price.

THE DVBE INCENTIVE WILL BE EQUAL TO A BIDDER'S DVBE PARTICIPATION LEVEL ROUNDED TO TWO (2) DECIMAL PLACES.

Application of the incentive shall not displace an award to a certified small business with a non-small business. Under the incentive program, a bidder claiming the "Non-Small Business preference" is considered a "non-small" business.

A certified Small Business (SB) may only be displaced by another SB with a higher percentage of DVBE participation and a lower adjusted bid price. The SB Preference (5% up to \$50,000) may be combined with the DVBE Incentive but will not exceed a combined total of \$500,000.

Incentive Process:

In searching for DVBE firms to fulfill the 3% goal, the contractor should list their successful endeavors in the DVBE PARTICIPATION SUMMARY-004314(00452) document. Participation of less than 1.00% will not qualify for an incentive, but DVBE participation totaling 1.00% or more will automatically be applied. Participation greater than 5% will be calculated with a 5% incentive.

Project Forms:

1. Invitation to Bid-001100 (Previously 00100) Indicates an Incentive Program.
2. Supplemental Instructions to Bidders-00 22 00 (Previously 00210) Instructs and informs details about the incentive program.
3. DVBE Program Requirements-00 22 10 (Previously 00212 Informs about the incentive program.
4. Bid Form-0041 00 (Previously 00410) Check box whether the Incentive is claimed.

Examples of the DVBE Incentive program being applied as recommended above:

Example (1)

#1	Bidder A - (with 2.5% DVBE participation) Less the Incentive (2.5% of \$1,270,000) <i>Adjusted Bid Price of #1 Low Bid</i>	\$1,270,000 - 31,750 <u>\$1,238,250</u>
#2	Bidder B - (with 5% DVBE participation) Less the Incentive (5% of \$1,270,000) <i>Adjusted Bid Price of #2 Bid</i>	\$1,300,000 - 63,500 <u>\$1,236,500</u>

Bidder A's Adjusted Bid Price of \$1,238,250 is higher than Bidder B's Adjusted Bid Price of \$1,236,500. Award will be made to Bidder B for \$1,300,000. Bidder B holds the Low Bid position with the additional DVBE Incentive.

Example (2)

#1	Bidder A -(with Small Business Preference)	\$1,250,000
#2	Bidder B -(with 5% DVBE participation) Less the Incentive (5% of 1,250,000) <i>Adjusted bid for comparison</i>	\$1,300,000 - 62,500 <u>\$1,237,500</u>

Bidder B's adjusted bid price of \$1,237,500 is lower than the Low Bid of \$1,250,000; however, a Small Business (SB) can only be displaced by another Small Business. Award will be made to Bidder A for \$1,250,000.

Example (3)

#1	Bidder A (with Small Business Preference)	\$1,250,000
#2	Bidder B (with Small Business Preference and 4.75% DVBE participation) Less the Incentive (4.75% of 1,250,000) <i>Adjusted bid for comparison</i>	\$1,300,000 59,375 <u>\$1,240,625</u>

Bidder B's adjusted bid price of \$1,240,625 is lower than the Low Bid price of \$1,250,000. Award will be made to Bidder B for a \$1,300,000 contract. Low Bidder is displaced by another Small Business with a 4.75% DVBE incentive. (Since SB preferences are equal for all the bidders, no calculations need to be applied).

Example (4)

#1	Bidder A	\$1,200,000
#2	Bidder B - (with Small Business Preference and 1% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (1% of \$1,200,000) <i>Adjusted bid for comparison</i>	\$1,250,000 -50,000 -12,000 <u>\$1,188,000</u>
#3	Bidder C - (with Non-Small Business Preference and 5% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (5% of \$1,200,000) <i>Adjusted bid for comparison</i>	\$1,275,000 -50,000 -60,000 <u>\$1,165,000</u>

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Applying only the preference, Bidder A and Bidder B would have the same bid price of \$1,200,000 but Bidder B would have the lower bid because of the Small Business Preference. Bidder B would thus be in the #1 position.

But when adding in the incentive, calculations are based off the original low bid price of Bidder A before any preference is calculated. Thus, Bidder C has the lowest adjusted bid price at \$1,165,000. Even though Bidder C claims a 5% incentive Bidder C can not displace Bidder B in the #1 position because Bidder B is a certified Small Business. The award would be made to Bidder B for \$1,250,000. The award order would be as follow: #1 -Bidder B, #2 -Bidder C and #3 -Bidder A.

Example (5)

#1	Bidder A – (with 2% DVBE participation) Less the incentive (2% of \$1,225,000) <i>Adjusted bid for comparison</i>	\$1,225,000 - 24,500 <u>\$1,200,500</u>
#2	Bidder B - (with 7% DVBE participation) Less the incentive (5% of \$1,225,000) <i>Adjusted bid for comparison</i>	\$1,250,000 - 61,250 <u>\$1,188,500</u>
#3	Bidder C - (with Small Business Preference) Less the preference (5% or \$50,000 max) <i>Adjusted bid for comparison</i>	\$1,280,000 -50,000 <u>\$1,230,000</u>

When the Small Business Preference is calculated, Bidder C does not have an adjusted bid lower than Bidder A. Adding in the incentive; Bidder B's adjusted bid price of \$1,188,500 is lower than Bidder A. The award will be made to Bidder B for \$1,250,000. Bidder A is displaced by a Bidder B with the 7% participation which allows a 5% incentive. The award order would be as follows: #1 -Bidder B, #2 -Bidder A, #3 –Bidder C.

Example (6)

#1	Bidder A	\$100,000
#2	Bidder B - (with Small Business Preference and 2% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (2% of \$100,000) <i>Adjusted bid for comparison</i>	\$106,000 - 5,000 - 2,000 <u>\$99,000</u>
#3	Bidder C - (with Small Business Preference and 3% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (3% of \$100,000) <i>Adjusted bid for comparison</i>	\$107,000 - 5,000 - 3,000 <u>\$99,000</u>

Applying the preference alone, neither Bidder B nor Bidder C would be able to take the Low Bid position. By applying the incentive, the adjusted bid price of Bidder B and Bidder C are equal at \$99,000. Based on the award criterion, the bid would be given to the Small Business with the highest percentage of DVBE participation. The award will be made to Bidder C for \$107,000. Bidder C displaces the low bidder with a 3% incentive and Small Business preference. The award order would be as follows: #1 -Bidder C, #2 - Bidder A, #3 –Bidder B.